

PCPN FY04-42: Updated Instructions regarding Semi-Annual Reviews (re-write of Chapter 4)

Chapter 4: Purchase Card Program Review

Internal reviews.

1. APC Reviews.

a. Monthly Level V APC Reviews.

The activity level V APC shall conduct or oversee/manage the monthly transactional reviews. The review shall include all of the purchase card transactions within the previous month for all card accounts under the APCs cognizance (100% transaction review). Results should be reported to the Commanding Officer and Level III APC on a monthly basis. The review shall target the following critical elements:

- 1) Suspicious vendors;
- 2) Split purchases;
- 3) Equitable distribution of business;
- 4) Exceeding the micro-purchase threshold (except for outside of the United States locations having \$25,000 per transaction authority);
- 5) Suspected fraudulent transactions;

This process, at a minimum, should consist of running the all transaction report using Citibank's Custom Reporting System (CCRS). The Level V APC should review the transaction report and further review transactions that are targeted by numbers 1-5 above. This may include reviews of the following:

- Cardholder log,
- Merchant invoices,
- Delegation letter,
- Integrity of purchase request,
- Receipt, inspection and acceptance procedure

In addition, transactions should be reviewed for 1) Proper separation of function being performed and 2)

Verification that the AO has reviewed the CH purchases. At least 10% of all transactions should be reviewed to verify. If after a 10% review, discrepancies are found, a 100% review of transactions is required.

b. Semi-annual Level V APC Reviews.

Semi-annual reviews shall consist of two reviews: 1) an evaluation of local operating procedures and internal management controls and 2) a transactional review. A copy of the report(s) shall be provided to the activity Commanding Officer and Level III APC. The Level V APC shall report to the Commanding Officer on all actions taken on all deficiencies noted in the semi-annual review. A signed statement that the Commanding Officer reviewed and concurs with the disciplinary actions taken on any noted findings on the semi-annual review results is required to be sent to the Level III APC. The reporting periods for the semi-annual reviews shall encompass the billing cycles of March 22 - September 21 and September 22 - March 21.

The following areas, at a minimum, must be covered in the local operation procedure and internal management review:

- 1) Review of internal operating procedures to ensure compliance with current DOD/DON regulations and directives;
- 2) Program compliance with applicable training requirements;
- 3) Appropriate delegations of authority;
- 4) Integrity of purchase request process;
- 5) Compliance with micro-purchase procedures;
- 6) Receipt, inspection and acceptance procedures;
- 7) Invoice certification process;
- 8) Internal procedures to resolve disputes and monitor command delinquencies;
- 9) Use of the purchase card as a payment method;
- 10) Span of Control (Card accounts to AO and card accounts to APC);
- 11) Delinquencies;

12) Account spending limits (monthly and single transaction limits);

13) Screening for mandatory sources; and

14) Equitable distribution of business

The following areas, at a minimum, must be covered in the transaction review:

- a. Purchases that exceed minimum need to support DON mission;
- b. Purchases not for Government use, but for personal use;
- c. Purchases that exceeded authorized limits;
- d. Requirements that were split to circumvent the micro-purchase threshold; and
- e. Purchases that were prohibited items.

With each transaction reported (a - e above) include the following:

- Item purchased
- Dollar value of the transaction
- How transaction was discovered
- Listing of all disciplinary/administrative actions taken (include dates)
- Include name of activity
- The hierarchy number, and
- The date of the transaction

As required by Chapter 5 of this instruction, the Head of the Activity shall formalize local policies and procedures identifying the formal and informal disciplinary actions and/or corrective measures that will be levied by the Command as a result of reviews revealing non-compliance with policies or procedures, fraud, misuse and/or abuse by program participants, i.e. APCs, AOs, purchase cardholders, including supervisors/managers.

All Level V APCs should complete the semi-annual review in a timely manner and return responses to the claimancy Level III APC for consolidation. The Level III APC will report one response for the claimant to the DON eBusiness Operations Office no later than April 30 or October 31 depending on the reporting period.

2. Semi-annual Level III APC Major Claimant Reporting.

Each major claimant shall report the information provided in paragraph (a) below semi-annually to DON eBusiness Operations Office by 30 April and 31 October of each year. The reporting period for the semi-annual review due 31 October of each year shall encompass the billing cycles of March 22 - September 21. The reporting period for the semi-annual review due 30 April of each year shall encompass the billing cycles of September 22 - March 21. Level III APCs shall compile this report from the Level V APC semi-annual review results established in paragraph 1 of this chapter. A copy of the claimancy report shall be provided to the claimancy Commanding Officer. The APC shall report to the Commanding Officer on all actions taken on all deficiencies noted in the semi-annual review. A signed statement that the Commanding Officer reviewed and concurs with the disciplinary actions taken on any noted findings on the semi-annual review results is required to be sent up to the DON eBusiness Operations Office with the semi-annual report. Both the semi-annual report (using the template described below) and the signed statement are due to the DON eBusiness Operations Office by 30 April and 31 October of each year depending on the reporting period.

(a) Major Claimant Reporting Elements.

- 1) Total number of Agency Program Coordinators (APCs); APCs with documented evidence of mandatory training (if not 100% of program APCs , provide explanation
- 2) Total number of Approving Officials (AOs); AOs with documented evidence of mandatory training (if not 100% of program AOs , provide explanation
- 3) Total number of purchase Cardholders (CHs); CHs with documented evidence of mandatory training (if not 100% of program cardholders , provide explanation
- 4) Total number of Heads of Activities (HAs); HAs with documented evidence of training (if not 100% of program HAs , provide explanation
- 5) Total number of purchase card accounts;
- 6) Number of Level V Agency Program Coordinators (APC) who exceed the ratio of 300 card accounts to one APC;

- 7) Average ratio of purchase card accounts to approving official (AO) accounts;
- 8) Number of approving official (AO) accounts above the 7:1 ratio (Provide activity name, ratio and corrective action or verification of waiver);
- 9) Questionable transactions;
 - a. Purchases that exceed minimum need to support DON mission;
 - b. Purchases not for Government use, but for personal use;
 - c. Purchases that exceeded authorized limits;
 - d. Requirements that were split to circumvent the micro-purchase threshold; and
 - f. Purchases that were prohibited items.

With each transaction reported (a - e above) include the following:

- Item purchased
- Dollar value of the transaction
- How transaction was discovered
- Listing of all disciplinary/administrative actions taken (include dates).
- Include name of activity
- The hierarchy number; and
- The date of the transaction

- 10) Special Emergency Procurement Authority
- 11) Weaknesses in Internal Management Controls
Use a separate submittal form to include the following details (word document):
 - Description of weak areas
 - Activity name
 - Hierarchy number
 - Action taken or planned to rectify situation
- 12) Follow up on last semi-annual review
- 13) Activity commanding officer review
- 14) Internal Operating Procedure

The required excel template for the Level III APC submission is posted on the DON eBusiness Operations Office website. In addition, there is a step-by-step instructional guide as to how to complete the

form, also posted on the website. This format is required for the Level III APC submittal to the DoN eBusiness Operations Office. This excel template may also be used by the Level V APC to submit their transactional review to the Level III APC, however the Level III APC, may choose not to have the Level V submit their requirements in that format.

3. Head of Contracting Activity (HCA).

Responsible for providing oversight of activities to whom they delegate contracting authority, including those under their cognizance that manage and operate local Purchase Card programs. Commands operating and managing local Purchase Card programs are responsible for performing oversight of their local program in accordance with the guidance provided below. This guidance is provided for informational purposes only as findings and results for this oversight requirement are reported through procurement channels.

HCA Reviews. Navy Marine Corps Acquisition Supplement (NMCARS) 5201.691-1 provides that each HCA is responsible for oversight and review of their subordinate contracting organizations. In addition, NMCARS 5201.691-1 requires that by 30 December of each year, HCA's must report to DASN (ACQ) a summary of relevant findings from the results of the previous fiscal year's Procurement Performance Management Assessment Program (PPMAP). The following metrics/key areas should be considered and made part of your Purchase Card program's PPMAP process.

- a. Number of purchase card reviews conducted;
- b. Number of activities using the purchase card;
- c. Number of purchase card activities that received an unacceptable rating resulting in a suspension of the Purchase Card program;
- d. Number of activities that had their purchase card authority reinstated;
- e. Approving Official span of control;
- f. Number of actions exceeding the micro-purchase threshold (not to include those actions that were processed as a method of payment);
- g. Questionable transactions;
- h. Instances of split purchases;

- i. Excessive instances of purchase card delinquencies;
- j. Screening of requirements for their availability from mandatory Government sources of supply; and
- k. Separation of buying and receiving functions.

4. Delinquency Standards and Policies.

- a. The DON standard for delinquencies stipulates that activities may not have more than 2.00 percent of their total receivables with the bank over 30 days past due. DOD policy requires the issuing bank to suspend any billing account that goes over 60 days delinquent.
- b. All accounts under a billing account (Level 6, Approving Official) will be suspended should the billing account exceed 60 days past due, regardless of amount.
 - 1) Before initiating suspension procedures, the bank is required to contact and notify the APC and designated billing office on two separate occasions.
 - 2) When an account reaches 45 days past due, the bank will request payment for the undisputed principal amount in writing or by documented telephone call to the APC and designated billing office. The bank will also provide a pre-suspension/pre-cancellation report that identifies the undisputed amount that is overdue.
 - 3) If payment for the undisputed principal has not been received 55 days past due, the bank will notify the APC and designated billing office electronically or in writing that suspension will take place if the payment is not received by the 5th calendar day after notification. The bank will also provide a point of contact at the bank to assist in resolving the past due account.
 - 4) If payment for the undisputed principal has not been received 60 days past due, the bank will suspend the account. The suspension will automatically be lifted once the undisputed principal amount has been paid and posted at the bank.

- 5) Requests for suspension exemptions for billing officials with operational emergencies may be granted on a case-by-case basis. Exemption requests must be submitted in writing from the Level III (major claimant level) APC to DON EBUSOPSOFF (Code 00E). Exemption requests must include a statement describing what actions will be taken to resolve account delinquencies.
- c. Billing accounts that exceed 180 days past due will result in the entire activity (Level V APC) being suspended.

5. Fraud Indicators.

COs, Directors or activity heads should ensure that fraud awareness is part of local training for APCs, AOs and purchase cardholders. HCA, Fleet, or other DON inspection organizations should be aware of certain fraud indicators, identified below, when reviewing Purchase Card programs. In addition, Level V APCs must report via the APC hierarchy chain of command to the DON EBUSOPSOFF any instances where the review of a questionable item is reported to the DOD IG or NCIS for further investigation.

a. Documentation.

- 1) Photocopies instead of original documents.
- 2) Missing documentation (requisition to support purchases, required approvals, etc.).
- 3) Obvious changes or whitening-out of information.
- 4) Information that is backdated.

b. Repetitive Purchases.

- 1) Splitting requirements to avoid certain requirements or restrictions, i.e. micro-purchase threshold.
- 2) Not equitably distributing business among suppliers could indicate favoritism.

c. Purchases to Vendors That Do Not Appear Mission Related.

Suspicious Merchant Category Codes (MCC), i.e. casinos, hotels, and jewelry stores.

d. Services.

- 1) Performance that appears out of the scope of work that was originally agreed upon. (Actual performance does not match contractual statement of work.)
 - 2) Overruns and variances. (Approvals are not documented, explanatory justifications missing, etc.)
 - 3) Contractor estimate equal to Government estimate. (Personnel releasing advance information to contractor).
- e. Purchases of high value items at low prices or low value items at high prices.
- f. Returns/Credits.
- 1) Did the Government receive the full credit for the item purchased?
 - 2) Is there a pattern of errors in billings, returns or credits?
- g. Disputes.
Frequent or repetitive disputes by a single cardholder.
- h. Lost or Stolen Cards.
Frequent or repetitive reports of lost or stolen cards by a single cardholder.